* Thus the problem which a statesman who had thought out the economics of war beforehand would have recognised as the keystone of his policy, would have been that of diverting the activities of the country from providing itself with comforts and amusements to turning out goods required for war, and of doing so with the least possible friction, the least possible alteration in the economic equilibrium of the country, and, above all, with the least possible cost to the national finances. We arrive at the true aspect of this problem more easily if we leave out the question of money altogether and think of it in units of energy. When a nation goes to war it means to say that it has to apply so many units of energy to the business of fighting, and to provide the fighters with all that they need. If at the beginning of the war its utmost capacity of output was, to mention merely a fanciful figure, a thousand million units of energy, and if it was clear that the fighting forces of the country would need for their proper maintenance five hundred million units of energy, then it is clear that the nation's ordinary consumption of goods and services would have to be reduced to the extent of five hundred millions of units of energy, which would have to be applied to the war, that is, assuming that its possible output remained the same.

In other words, the spending power of the citizens of the country had to be reduced so that the industrial energy that used to go into meeting their wants might be made available for the purposes of the fighting forces. Now what was the straightest